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INTRODUCTION

Bethesda Family Services Foundation entered into contract #DEL 98-82005 with the Michigan Family Independence Agency (FIA) to provide day treatment services to delinquent youth in Wayne County. The contract amount was \$556,326 per year and covered the period October 1, 1997 through September 30, 2000. The contract was terminated as of March 31, 1999. The contract states that Bethesda Family Services Foundation was to be reimbursed for its actual costs incurred in providing the services, through submission of monthly billings to FIA.

SCOPE

The Office of Internal Audit performed an audit of Bethesda Family Services Foundation to determine if Bethesda complied with the terms of its contract with FIA, and if costs charged were accurate and allowable per the terms of the contract, and supported by appropriate documentation. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

EXECUTIVE SUMMARY

Based on our review, we concluded that the Family Independence Agency owes Bethesda Family Services Foundation \$47,040.72. This figure is the net result of the findings included in this audit, and the amount of the March, 1999 billing submitted by Bethesda Family Services Foundation, but not yet paid by FIA. See Schedule A.

AGENCY RESPONSE

Bethesda Family Services Foundation reviewed our draft report and responded that they believe they should have been allowed to bill for more than the three counselors included in the contract budget because of the amount of staff turnover. Also they indicated that the teacher's assistant they billed for was actually fulfilling the duties of another position

which was allowed for in the contract. (NOTE: We allowed time for them to provide documentation that the individual was qualified for the other position, but they did not provide it.) Bethesda Family Services Foundation also stated in their response that they believe they should be entitled to additional costs incurred in closing out this program.

FINDINGS AND RECOMMENDATIONS

Salaries - 1998

1. Bethesda Family Services Foundation overbilled FIA a net total of \$3,055.55 for salaries in 1998. Bethesda billed for counselors who were not included in the contract budget. The budget allowed three full-time counselors, but Bethesda billed FIA for four or five counselors in several biweekly pay periods. Bethesda also billed for a teacher's assistant who was not included in the contract budget. In addition, they underbilled salaries as a result of reversing their June salary accrual in July, although they had not charged FIA for the June accrued salaries. See Schedule B.

Fringe Benefits – 1998

2. Bethesda Family Services Foundation overbilled FIA \$1,589.00 for fringe benefits in 1998. This amount represents the FICA and unemployment insurance amounts for the salaries overbilled in finding #1. See Schedule B.

Occupancy – 1998

3. Bethesda Family Services Foundation overbilled FIA \$2,398.21 for occupancy costs in 1998 due to a bookkeeping error. See Schedule B.

Supplies – 1998

4. Bethesda Family Services Foundation overbilled FIA \$521.55 for supplies in 1998 because they included costs that should have been charged to the occupancy and local transportation line items. We included these costs in the occupancy and local transportation line items when we calculated allowable costs for those line items. See Schedule B.

Miscellaneous – 1998

5. Bethesda Family Service Foundation underbilled FIA \$1,515.80 for miscellaneous costs for 1998. Actual costs per the accounting records exceeded the amount billed. See Schedule B.

Salaries – 1999

6. Bethesda Family Services overbilled FIA \$14,530.13 for salaries for 1999. Bethesda billed for more counselors than the number included in the contract budget, and also billed for a teacher's assistant who was not included in the contract budget. See Schedule B.

Fringe Benefits – 1999

7. Bethesda Family Services Foundation overbilled FIA \$1,289.00 for fringe benefits in 1999. This represents the FICA and unemployment Insurance costs on the salaries disallowed in #6 above. See Schedule B.

Occupancy – 1999

8. Bethesda Family Services Foundation overbilled FIA \$80.47 for occupancy costs in 1999. The billing exceeded the amount per the accounting records. See Schedule B.

Supplies – 1999

9. Bethesda Family Services Foundation overbilled FIA \$242.65 for supplies in 1999. The billing exceeded the amount per the accounting records. See Schedule B.

Miscellaneous – 1999

10. Bethesda Family Services Foundation overbilled FIA \$107.20 for miscellaneous expense for 1999. The billing exceeded the amount per the accounting records. See Schedule B.

Closeout Costs for 1999

11. Bethesda Family Services Foundation incurred closeout costs as a result of the contract being cancelled on short notice. Bethesda was required to pay \$10,000 for rent when they cancelled their lease. Bethesda also incurred \$4,942.12 in salaries costs in April, 1999 for two staff persons to handle the transfer of the children to another program, and the completion and transfer of the case records for the children served by their program. See Schedule A.

Case Files

12. We reviewed the Bethesda Family Services Foundation client case files to determine if they included documentation that the children were eligible for the program, documentation of client contacts, and service plans. We reviewed 80 case files and found 9 did not have an intake record, but there was documented client contact. Two of the case files reviewed had no documentation. The case file information was scattered throughout 2 or 3 different case records. In addition, there were minimal attendance records to document the dates the clients attended classes.

WE RECOMMEND that the Field Operations Administration, Family Independence Agency initiate the process to reimburse Bethesda Family Services Foundation \$47,040.72 for additional costs incurred for this contract.

FY	Amount Billed	Audited Cost	(Over)/Under Billed Gross Amount	Amount Paid	Amount(Over) Under Paid
FY97-98	\$455,864.66	\$449,816.15	(\$6,048.51)	\$455,864.66	(\$6,048.51)
FY98-99	\$256,995.66	240,746.21			
Closeout		14,924.12			
	\$256,995.66	255,670.33	\$ (1,325)	\$202,581.10	\$ 53,089.23
Total Due Bethesda					\$ 47,040.72

Line Item	Salaries	Fringes	Occup	Comm	Supplies	Local	Specific	Misc.	Total	Payment	
						Transp	Assist				
Oct-97								6,945.70	6,945.70	6,945.70	
Nov-97	3,550.00	-	2,250.00	-	160.95	11.75	-	14,910.31	20,883.01	20,883.01	
Dec-97	4,531.17	346.65	3,020.00	389.30	5,314.42	951.82	-	7,504.74	22,058.10	20,654.38	
Jan-98	17,700.67	1,354.14	4,573.00	720.08	289.20	1,086.55	-	11,430.92	37,154.56	36,782.91	
Feb-98	16,074.57	3,248.22	2,805.00	1,191.46	11,527.33	1,394.04	103.00	7,699.36	44,042.98	33,096.29	
Mar-98	14,109.24	2,005.88	2,805.00	1,395.78	1,326.36	2,390.51	216.25	11,978.93	36,227.95	36,437.18	
Apr-98	16,057.96	2,235.58	3,090.00	1,088.76	4,025.50	3,047.84	76.00	14,221.30	43,842.94	42,508.13	9,357.9
May-98	19,482.36	2,666.66	2,950.00	2,271.79	1,542.02	2,451.39	85.00	9,584.36	41,033.58	40,198.53	439.6
Jun-98	20,876.23	1,565.03	2,900.00	2,462.71	6,239.06	2,938.46	1,074.72	11,058.09	49,114.30	49,163.70	1,317.3
Jul-98	14,070.68	2,339.96	3,958.30	1,535.29	975.87	3,897.72	385.00	8,469.97	35,632.79	39,151.20	(78.7
Aug-98	21,972.97	3,381.41	2,600.00	1,721.72	950.88	4,326.37	227.00	9,138.36	44,318.71	43,501.82	816.8
Sep-98	28,890.48	4,603.81	3,108.91	1,182.06	5,627.37	4,728.14	6,167.34	20,301.93	74,610.04	74,688.80	444,011.6
Total Billed	177,316.33	23,747.34	34,060.21	13,958.95	37,978.96	27,224.59	8,334.31	133,243.97	455,864.66	455,864.66	
Audited Cost	174,260.78	22,158.34	31,662.00	13,958.95	37,457.41	27,224.59	8,334.31	134,759.77	449,816.15		
Diff	3,055.55	1,589.00	2,398.21	-	521.55	-	0.00	(1,515.80)	6,048.51		
Line Item	Salaries	Fringes	Occup	Comm	Supplies	Local	Specific	Misc.	Total	Payment	
						Transp	Assist				
Oct-98	16,862.56	2,411.96	2,630.00	973.00	-	2,983.80	185.65	9,932.35	35,979.32		
Nov-98	15,074.45	2,360.43	2,618.60	661.74	281.26	2,763.35	308.34	7,712.36	31,780.53	67,759.85	
Dec-98	24,311.31	3,573.60	2,986.00	2,078.94	770.08	2,778.68	890.00	13,017.51	50,406.12	50,406.12	
Jan-99	15,340.79	2,418.02	2,525.00	1,223.99	412.09	4,488.68	150.00	13,295.95	39,854.52	39,854.52	
Feb-99	19,511.62	2,513.26	4,070.87	853.12	975.37	4,485.04	145.00	12,006.33	44,560.61	44,560.61	
Mar-99	27,448.48	4,457.32	2,595.00	1,463.67	1,198.45	4,108.76	632.50	12,510.38	54,414.56		
Total Billings	118,549.21	17,734.59	17,425.47	7,254.46	3,637.25	21,608.31	2,311.49	68,474.88	256,995.66	202,581.10	
Audited Cost	104,019.08	16,445.59	17,345.00	7,254.46	3,394.60	21,608.31	2,311.49	68,367.68	240,746.21		
Diff	14,530.13	1,289.00	80.47	-	242.65	(0.00)	-	107.20	16,249.45		